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HEALTHMARKETS INSURANCE COMPANY
220 - Audited Financial Report

Financial Statements and Schedules – Statutory-Basis

HEALTHMARKETS INSURANCE COMPANY

Years ended December 31, 2008 and 2007
With Independent Auditors' Report

HEALTHMARKETS INSURANCE COMPANY

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KPMG LLP
Suite 3100
717 North Harwood Street
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Independent Auditors' Report

The Board of Directors
HealthMarkets Insurance Company:

We have audited the accompanying statutory statements of admitted assets, liabilities, and capital and surplus of HealthMarkets Insurance Company (the Company) as of December 31, 2008 and 2007, and the related statutory statements of operations and changes in capital and surplus, and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in note A to the financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Oklahoma Insurance Department, which practices differ from U.S. generally accepted accounting principles. The effects on the financial statements of the variances between the statutory accounting practices and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the Company as of December 31, 2008, or the results of its operations or its cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of the Company as of December 31, 2008 and 2007, and the results of its operations and its cash flow for the years then ended, on the basis of accounting described in note A.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on the Supplemental Schedule of Selected Statutory-Basis Financial Data, Investment Risks Interrogatories, and Summary Investment Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

May 26, 2009

HEALTHMARKETS INSURANCE COMPANY

STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND CAPITAL AND SURPLUS
(In thousands, except share amounts)

	As of December 31,	
	2008	2007
Admitted Assets		
Cash and invested assets:		
Bonds (fair value of $6,697 and $7,245 in 2008 and 2007, respectively)	$ 6,638	$ 7,125
Cash ($40 and $0 in 2008 and 2007, respectively) and short-term investments	2,340	2,250
Total cash and invested assets	8,978	9,375
Accrued investment income	128	134
Federal income taxes recoverable	168	—
Net deferred tax assets	132	47
Goodwill	—	130
Total admitted assets	$ 9,406	$ 9,686
Liabilities and Capital and Surplus		
Liabilities:		
Accounts payable and accrued expenses	$ 63	$ —
Federal income taxes payable	—	93
Asset valuation reserves	—	2
Payable to parent, subsidiaries and affiliates	2	23
Other liabilities	50	—
Total liabilities	115	118
Capital and surplus:		
Common stock, par value $10 per share;		
Authorized – 1,000,000 shares in 2008 and 2007		
Issued and outstanding 300,000 shares in 2008 and 2007	3,000	3,000
Gross Paid-in and contributed surplus	3,082	7,257
Unassigned surplus (deficit)	3,209	(689)
Total capital and surplus	9,291	9,568
Total liabilities and capital and surplus	$ 9,406	$ 9,686

See accompanying notes.

HEALTHMARKETS INSURANCE COMPANY

STATEMENTS OF OPERATIONS AND CHANGES IN CAPITAL AND SURPLUS
(In thousands)

	Year Ended December 31, 2008	Year Ended December 31, 2007
Revenues:		
Net investment income	$ 389	$ 419
Total revenues	389	419
Insurance expenses and other deductions:		
General insurance expense	685	59
Insurance taxes, licenses and fees	184	94
Other expenses	2	—
Total insurance expenses and other deductions	871	153
Net gain (loss) from operations before federal income taxes	(482)	266
Federal income tax expense (benefit)	(282)	92
Net income (loss)	$ (200)	$ 174
Capital and surplus, beginning of year	$ 9,568	$ 9,185
Net income (loss)	(200)	174
Change in net deferred income tax	(57)	1,407
Change in non-admitted assets	4,152	(5,371)
Change in asset valuation reserve	2	(2)
Capital and surplus paid in	(4,175)	5,075
Dividends to stockholders	—	(900)
Change in unrealized capital gain	1	—
Capital and surplus, end of year	$ 9,291	$ 9,568

See accompanying notes.

HEALTHMARKETS INSURANCE COMPANY

STATEMENTS OF CASH FLOW – STATUTORY BASIS
(In thousands)

	Year Ended December 31, 2008	2007
Operating Activities:		
Net investment income received	$ 395	$ 453
Insurance expenses, excluding federal income taxes, paid	(758)	(152)
Federal income taxes (paid) received	20	(106)
Net cash (used in) provided by operating activities	(343)	195
Investment Activities:		
Proceeds from sales, maturities, or repayments of bonds:		
Bonds	2,045	6,851
Miscellaneous proceeds	—	22
Total investment proceeds	2,045	6,873
Cost of investments acquired:		
Bonds	1,558	5,060
Total cost of investments acquired	1,558	5,060
Net cash provided by investment activities	487	1,813
Financing and miscellaneous activities:		
Other cash provided:		
Dividends to stockholders	—	(900)
Contributions from stockholders	—	900
Change in surplus	(4,175)	4,175
Other cash provided (applied)	4,121	(4,118)
Total other cash provided (applied)	(54)	57
Net cash (used in) provided by financing and miscellaneous activities	(54)	57
Net increase in cash, and short-term investments	90	2,065
Cash and short-term investments:		
Beginning of year	2,250	185
End of year	$ 2,340	$ 2,250

See accompanying notes.

(A) The Company:

HealthMarkets Insurance Company (the "Company"), a direct wholly owned subsidiary of HealthMarkets, LLC ("HealthMarkets"), is an Oklahoma domiciled stock life insurance company that operates under the rules and regulations of various state insurance departments. HealthMarkets purchased the Company from The Fidelity Mutual Life Insurance Company on December 1, 2007. The Company is licensed to do business in 47 states and the District of Columbia. The Company has not had insurance in-force for several years.

On April 17, 2008, the Oklahoma Insurance Department approved the redomestication of the Company from Pennsylvania to Oklahoma. The Company filed the amended Articles of Incorporation with the Oklahoma Secretary of State on May 7, 2008.

Effective July 11, 2008, the Oklahoma Insurance Department, the Company's state of Domicile, approved the name change of the Company from Fidelity Life Insurance Company to HealthMarkets Insurance Company.

In June of 2008, the Company decided to withdraw from doing insurance business in New York by surrendering its license to transact life insurance and annuity business, and as of October 6, 2008, the Company's license has been withdrawn.

The preparation of financial statements of insurance companies requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The Company periodically reviews its estimates and assumptions. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein

(B) Basis of Presentation and Significant Accounting Policies:

The accompanying financial statements of the Company have been prepared in conformity with accounting practices prescribed or permitted by the Oklahoma Insurance Department. Such practices differ from accounting principles generally accepted in the United States of America ("GAAP").

The more significant variances from GAAP are as follows:

Investments: Investments in bonds are reported at amortized cost or market value based on their National Association of Insurance Commissioners ("NAIC") rating, as prepared by the Securities Valuation Office ("SVO"); for GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed investments would be reported at amortized cost, and the remaining fixed maturity investments would be reported at fair value with unrealized holding gains and losses reported in operations for those designated as trading and as a separate component of shareholders' equity for those designated as available-for-sale.

Valuation Reserves: Under a formula prescribed by the NAIC, the Company defers the portion of realized capital gains and losses on sales of fixed income investments, principally bonds, attributable to changes in the general level of interest rates and amortizes those deferrals over the remaining period to maturity based on groupings of individual securities sold in five-year bands. That net deferral is reported as the "interest maintenance reserve" ("IMR") in the accompanying Statements of Admitted Assets, Liabilities, and Capital and Surplus ("balance sheets"). Realized capital gains and losses are reported in income net of federal income tax and transfers to the IMR. Under GAAP, realized capital gains and losses would be reported in the income statement on a pretax basis in the period that the assets giving rise to the gains or losses are sold. At December 31, 2008 and 2007, the Company's IMR was $0.

The "asset valuation reserve" ("AVR") provides a valuation allowance for invested assets. The AVR is determined by a NAIC prescribed formula with changes reflected directly in unassigned surplus; AVR is not recognized for GAAP.

Nonadmitted Assets: Certain assets, designated as "nonadmitted," principally deferred tax assets and intangible assets not specifically identified as an admitted asset within the NAIC's *Accounting Practices and Procedures Manual* are excluded from the accompanying balance sheets and are charged directly to unassigned surplus. Under GAAP, such assets, net of any valuation allowances, are included in the balance sheet. Non-admitted assets are summarized as follows:

	2008	2007
	(In thousands)	
Deferred tax assets	$ 1,219	$ 1,360
Intangible assets	—	4,011
Total non-admitted assets	$ 1,219	$ 5,371

Deferred Income Taxes: Deferred tax assets are limited to 1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year, plus 2) the lesser of the remaining gross deferred tax assets expected to be realized within one year of the balance sheet date or 10% of capital and surplus excluding any net deferred tax assets, EDP equipment and operating software, and any net positive goodwill, plus 3) the amount of remaining gross deferred tax assets that can be offset against existing gross deferred tax liabilities. The remaining deferred tax assets are non-admitted. Deferred taxes do not include amounts for state taxes. Deferred federal income tax expense or benefit is recorded directly to surplus. Under GAAP, state taxes are included in the computation of deferred taxes, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years, a valuation allowance is established for deferred tax assets not realizable, and deferred income tax expense or benefit is recorded in the statement of income.

Statement of Cash Flow: The statements of cash flow are presented as prescribed by statutory accounting. Short-term investments in the statements of cash flow represent investments with initial maturities of one year or less. Under GAAP, the corresponding caption includes investments with initial maturities of three months or less.

Statement of Comprehensive Income: This statement is not required for statutory reporting.

Significant Accounting Policies

Investments: Bonds and short-term investments are stated at values prescribed by the NAIC as follows:

Bonds not backed by other loans are principally stated at amortized cost using the interest method.

Short-term investments include investments with remaining maturities of one year or less at the time of acquisition and are principally stated at amortized cost.

Investments are reviewed quarterly (or more frequently if certain indicators arise) to determine if they have experienced an impairment of value that is considered other than temporary. Management's review considers the following indicators of impairment: fair value is significantly below cost; the decline in fair value is attributable to specific adverse conditions affecting a particular investment; the decline in fair value is attributable to specific conditions, such as conditions in an industry or in a geographic area; the decline in fair value has existed for an extended period of time; managements' ability and intent to hold these fixed maturities until recovery or maturity; downgrades by rating agencies from investment grade to non-investment grade; the financial condition of the issuer has deteriorated and dividends have been reduced or eliminated or scheduled interest payments have not been made. Management monitors investments where two or more of the above indicators exist and investments are identified by the Company in economically challenged industries. If investments are determined to be impaired, a loss is recognized at the date of determination.

Testing for impairment of investments requires significant management judgment. The identification of potentially impaired investments, the determination of their fair value, and the assessment of whether any decline in value is other than temporary are the key judgment elements. The discovery of new information and the passage of time can significantly change these judgments. Revisions of impairment judgments are made when new information becomes known, and any resulting impairment adjustments are made at that time. The current economic environment and recent volatility of securities markets increase the difficulty of determining fair value and assessing investment impairment. The same influences tend to increase the risk of potentially impaired assets. Investment income is recognized as revenue when earned.

Realized capital gains and losses are determined using the specific identification basis. Changes in admitted assets and carrying amounts of bonds are credited or charged directly to unassigned surplus.

(C) Permitted Statutory Accounting Practices

The Company's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the Oklahoma Insurance Department.

The Oklahoma Insurance Department recognizes only statutory accounting practices prescribed or permitted by the State of Oklahoma for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Oklahoma Insurance Law. The NAIC's *Accounting Practices and Procedures Manual* ("NAIC SAP") has been adopted as a component of prescribed or permitted practices by the State of Oklahoma. Oklahoma has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices.

There were no differences between NAIC SAP and practices prescribed and permitted by the State of Oklahoma at December 31, 2008 or December 31, 2007.

The Company is required to file detailed annual statements with the state insurance regulatory departments and is subject to periodic financial and market conduct examinations by such departments. The most recently completed financial examination for the Company was completed as of and for the three-year period ended December 31, 2006 by the Pennsylvania Insurance Department, its previous state of domicile.

(D) Investments:

The NAIC carrying value and the fair value of investments in bonds are summarized as follows:

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In thousands)		
At December 31, 2008				
U.S. Treasury	$ 6,638	$ 59	$ —	$ 6,697

	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(In thousands)		
At December 31, 2007				
U.S. Treasury	$ 7,125	$ 120	$ —	$ 7,245

The fair values for fixed maturity securities are based on quoted market prices, where available.

A summary of the NAIC carrying value and fair value of the Company's investments in bonds at December 31, 2008, by contractual maturity, is as follows:

Maturity	Carrying Value	Estimated Fair Value
	(In thousands)	
One year or less	$ 5,097	$ 5,126
Over 1 year through 5 years	1,541	1,571
Over 5 years through 10 years	—	—
Over 10 years	—	—
Subtotal	6,638	6,697
Mortgage and asset-backed securities	—	—
	$ 6,638	$ 6,697

Proceeds from sales, maturities, and repayments of investments in bonds were $2.0 million and $6.9 million for the year ended December 31, 2008 and 2007, respectively. There were no realized gains or losses on the bonds in 2008. Gains on sale of bonds were less than $1,000 during 2007.

The Company recognized no gains or losses on short term investments during 2008 and 2007.

The Company does not have any direct exposure to sub-prime investments or auction rate securities at December 31, 2008 and 2007.

The amount on deposit with state insurance departments to satisfy regulatory requirements was $6.8 million and $6.6 million at December 31, 2008 and 2007.

Net investment income for the year ended December 31, 2008 and 2007 is summarized as follows:

	December 31, 2008	December 31, 2007
	(In thousands)	
Bonds	$ 346	$ 418
Short-term investments	49	5
	395	423
Less:		
Investment expenses	6	4
	$ 389	$ 419

(E) Fair Values

The following methods and assumptions were used by the Company in estimating the "fair value" disclosures for financial instruments.

Short-term Investments: The carrying amounts reported in the accompanying balance sheets for these financial instruments approximate their fair value.

Investment Securities: Fair values for fixed maturity securities are based on quoted market prices, where available. For fixed maturity securities not actively traded, fair values are estimated using values obtained from quotation services.

(F) Federal Income Taxes:

The components of deferred tax assets and liabilities as of December 31, 2008 and 2007 are as follows:

	2008	2007	Change
		(In thousands)	
Deferred Tax Assets (DTAs):			
Mark to market acquired investment	$ 37	$ —	$ 37
Non-admitted Assets	—	1,404	(1,404)
Goodwill	1,314	4	1,310
Total gross DTAs	1,351	1,408	(57)
Non-admitted DTAs	1,219	1,360	(141)
Admitted DTAs	132	48	84
Deferred tax liabilities (DTLs):			
Invested assets	—	1	(1)
Total gross DTLs	—	1	(1)
Net deferred tax asset	$ 132	$ 47	$ 85

	2008	2007
	(In thousands)	
Change in net deferred tax asset from:		
Temporary items affecting surplus	$ 58	$ 1,404
Temporary items affecting income	(114)	3
Change in net deferred tax asset	(56)	1,407
Net change in non-admitted DTAs	(141)	1,360
Net change in net deferred tax asset	$ 85	$ 47

The Company has no unrecognized deferred tax liabilities.

The components of total income tax for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
	(In thousands)	
Current tax expense:		
Federal income tax on operations	$ (282)	$ 92
Federal income tax on capital gains	—	1
True-up of tax provision	—	4
Change in net deferred tax assets not affecting income	114	(3)
Total income tax current and deferred	$ (168)	$ 94

A reconciliation between the standard federal income tax rate and the effective tax rate for the period ended December 31, 2008, follows:

	Amount	Tax Effect	Tax Rate
	(In thousands)		
Anticipated tax at standard federal income tax rates:			
On net gain from operations	$ (482)	$ (169)	
On realized capital gains before taxes	—	—	
Tax on operations and effective tax rate	$ (482)	$ (169)	(35.0%)
Penalties		1	0.1%
Tax on operations and effective tax rate		$ (168)	(34.9%)

A reconciliation between the standard federal income tax rate and the effective tax rate for the period ended December 31, 2007, follows:

	Amount	Tax Effect	Tax Rate
	(In thousands)		
Anticipated tax at standard federal income tax rates:			
On net gain from operations	$ 266	$ 93	
On realized capital gains before taxes	1	1	
Tax on operations and effective tax rate	$ 267	$ 94	35.0%

The Company does not have any operating loss, capital loss, or tax credit carryovers available for tax purposes. The 2008 federal operating loss of $805,503 will offset the 2008 taxable income of the other members of the consolidating group.

For 2008, the Company is included in a consolidated federal income tax return with its parent and members of the consolidating group as follows:

Common Parent:	HealthMarkets, Inc.
Insurance Group:	The MEGA Life and Health Insurance Company
	Fidelity First Insurance Company
	Mid-West National Life Insurance Company of Tennessee
	The Chesapeake Life Insurance Company
	United Group Reinsurance, Inc.
Non-insurance Group:	CFLD-I, Inc.
	New United Agency, Inc.
	Performance Driven Awards, Inc.
	Success Driven Awards, Inc.
	HealthMarkets Lead Marketing Group, Inc.
	United Management Services, Inc.
	UICI Funding Corp 2

The Company received $19,000 during 2008 for its anticipated tax benefit from its parent, HealthMarkets, Inc. The Company paid $106,000 of federal income tax to its former parent in 2007.

(G) Capital and Surplus and Dividend Restrictions

The Company is licensed in 47 states and the District of Columbia, each of which has specific minimum capital and surplus requirements to conduct life and accident and health business. To maintain a certificate of authority to transact insurance business, the Company is required to maintain minimum statutory capital and surplus of $8.6 million. Dividends paid to stockholders out of earned surplus are limited to the greater of 10% of statutory surplus as regards policyholders as of the end of the preceding year or the preceding year's statutory gain from operations. The maximum dividend payout that may be made in 2009 without prior approval from the Oklahoma Insurance Department is $929,000. The Company assesses the results of operations, risk-based capital ratios and surplus requirements to determine the prudent dividend capability.

Life and health insurance companies are subject to certain Risk-Based Capital (RBC) requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by an insurance company is to be determined based on the various risk factors related to it. At December 31, 2008, the risk-based capital ratio of the Company exceeded the ratio for which regulatory corrective action would be required.

The Company did not pay any dividends in 2008. On November 30, 2007, the Company paid a dividend in the amount of $900,000 to its former parent. Immediately after receipt of the dividend, the former parent then contributed the full $900,000 back to the Company. This contribution was recorded in Gross Paid-in and contributed surplus.

HealthMarkets purchased the outstanding common stock of Fidelity Life Insurance Company (renamed HealthMarkets Insurance Company) from the Fidelity Mutual Life Insurance Company on December 1, 2007. In connection with this acquisition, the Company recorded $4.2 million of goodwill and intangible assets with a corresponding increase in Gross Paid-in and contributed surplus in 2007. The goodwill and intangible asset was appropriately non-admitted at December

31, 2007 resulting in a zero impact to the Company's surplus at December 31, 2007. After further review in 2008, the Company determined that the goodwill and intangibles recorded in connection with the acquisition in 2007 had been accounted for using pushdown accounting, which is not permitted under SSAP No. 68. During 2008, the Company recorded a reversal of the goodwill and intangible asset in accordance with Statement of Statutory Accounting Principles No. 68, "Business Combinations and Goodwill," the impact of which was recognized in the Capital and Surplus Account: "Gross Paid-in and contributed surplus." The impact of the reversal in 2008 to the Company's surplus at December 31, 2008 was zero.

(H) Related Party Transactions

After December 1, 2007, HealthMarkets, LLC and affiliates provided administrative, accounting and investment services to the Company. The Company paid $300,000 in administrative fees, $6,000 in investment fees and $15,000 in accounting fees to its parent and affiliates during 2008.

Prior to the HealthMarkets purchase of the Company, all administrative services, primarily accounting and legal services, were provided by the previous parent at no cost to the Company. As a result, the operations of the Company would be different if reflected on a stand-alone basis.

HEALTHMARKETS INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED STATUTORY-BASIS FINANCIAL DATA

(In thousands)

December 31, 2008

Investment income earned:		
U.S. Government Bonds	$	346
Bonds exempt from U.S. tax		—
Other bonds (unaffiliated)		—
Bonds of affiliates		—
Preferred stocks (unaffiliated)		—
Preferred stocks of affiliates		—
Common stocks (unaffiliated)		—
Common stocks of affiliates		—
Mortgage loans		—
Real Estate		—
Premium notes, policy loans and liens		—
Collateral loans		—
Cash on hand and on deposit		—
Short-term investments		49
Other invested assets		—
Derivative instruments		—
Aggregate write-ins for investment income		—
Gross investment income	$	395
Real estate owned (book value less encumbrances)	$	—
Mortgage loans (book value):		
Farm mortgages	$	—
Residential mortgages		—
Commercial mortgages		—
Total mortgage loans	$	—
Mortgage loans by standing (book value):		
Good standing	$	—
Good standing with restructured terms	$	—
Interest overdue more than three months, not in foreclosure	$	—
Foreclosure in process	$	—
Other long-term assets (statement value)	$	—
Collateral loans	$	—

See accompanying note to supplemental schedule.

HEALTHMARKETS INSURANCE COMPANY

SUPPLEMENTAL SCHEDULE OF SELECTED STATUTORY-BASIS FINANCIAL DATA (continued)

(In thousands)

December 31, 2008

Bonds and stocks of parents, subsidiaries and affiliates (book value):		
Bonds	$	—
Preferred stocks	$	—
Common stocks	$	—
Bonds and short-term investments by class and maturity:		
Bonds and short-term investments by maturity (statement value):		
Due within one year or less	$	7,398
Over 1 year through 5 years		1,540
Over 5 years through 10 years		—
Over 10 years through 20 years		—
Over 20 years		—
Total by maturity	$	8,938
Bonds and short-term investments by Class—(statement value):		
Class 1	$	8,938
Class 2		—
Class 3		—
Class 4		—
Class 5		—
Class 6		—
Total by class	$	8,938
Total bonds and short term investments publicly traded	$	8,938
Total bonds and short term investments privately placed	$	—
Preferred stocks (statement value)	$	—
Common stocks (market value)	$	—
Short-term investments (book value)	$	2,300
Financial options, caps and floors owned (statement value)	$	—
Financial options caps and floors written and in-force (statement value)	$	—
Collar, swap and forward agreements open (statement value)	$	—
Futures contracts open (current price)	$	—
Cash on deposit (overdraft)	$	40
Life insurance in force:		
Industrial	$	—
Ordinary	$	—
Credit life	$	—
Group life	$	—

See accompanying note to supplemental schedule.

HEALTHMARKETS INSURANCE COMPANY

INVESTMENT RISKS INTERROGATORIES

December 31, 2008

The Company's total admitted assets as reported on page three of its 2008 Annual Statement is $9,405,672.

1. The Company has no exposure to a single issuer/borrower/investment, by investment category, excluding: (i) U.S. government, U.S. government agency securities and those U.S. government money market funds listed in the Appendix to the *SVO Practices and Procedures Manual* as exempt, (ii) property occupied by the Company, and (iii) policy loans:

Investment Category/Issuer	Amount	Percentage of Total Admitted Assets
Short-term:		
a.	$ —	0.0%

2. The Company's total admitted assets held in bonds and short term investments, and preferred stocks, by NAIC rating, are:

Bonds and Short Term Investments			Preferred Stocks		
NAIC Rating	Amount	Percentage of Total Admitted Assets	NAIC Rating	Amount	Percentage of Total Admitted Assets
NAIC-1	$ 8,938,441	95.0%	P/PSF-1	$ —	0.0%
NAIC-2	—	0.0%	P/PSF-2	—	0.0%
NAIC-3	—	0.0%	P/PSF-3	—	0.0%
NAIC-4	—	0.0%	P/PSF-4	—	0.0%
NAIC-6	—	0.0%	P/PSF-5	—	0.0%
NAIC-6	—	0.0%	P/PSF-6	—	0.0%
	$ 8,938,441			$ —	

3. Assets held in foreign investments are less than 2.5% of the Company's total admitted assets.

4. Assets held in Canadian investments are less than 2.5% of the Company's total assets.

5. Assets held in investments with contractual sales restrictions are less than 2.5% of the Company's total admitted assets.

6. Assets held in equity interests are less than 2.5% of the Company's total admitted assets.

7. Assets held in nonaffiliated, privately placed equities are less than 2.5% of the Company's total admitted assets.

8. Assets held in general partnerships are less than 2.5% of the Company's admitted assets.

9. Mortgage loans reported in Schedule B are less than 2.5% of the Company's total admitted assets.

10. Assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A are less than 2.5% of the Company's total admitted assets.

HEALTHMARKETS INSURANCE COMPANY

INVESTMENT RISKS INTERROGATORIES (continued)

December 31, 2008

11. The Company's total admitted assets are subject to the following types of agreements as of:

	Dec. 31, 2008		Mar. 31, 2008	June 30, 2008	Sept. 30, 2008
a. Securities lending (do not include assets held as collateral for such transactions)	$ —	0.0%	$ —	$ —	$ —
b. Repurchase agreements	—	0.0%	—	—	—
c. Reverse repurchase agreements	—	0.0%	—	—	—
d. Dollar repurchase agreements	—	0.0%	—	—	—
e. Dollar reverse repurchase agreements	—	0.0%	—	—	—

12. Warrants not attached to other financial instruments, options, caps, and floors at December 31, 2008 are:

	Owned		Written	
a. Hedging	$ —	0.0%	$ —	0.0%
b. Income generation	—	0.0%	—	0.0%
c. Other	—	0.0%	—	0.0%

13. Following is the Company's potential exposure for collars, swaps, and forwards as of:

	Dec. 31, 2008		Mar. 31, 2008	June 30, 2008	Sept. 30, 2008
a. Hedging	$ —	0.0%	$ —	$ —	$ —
b. Income generation	—	0.0%	—	—	—
c. Replications	—	0.0%	—	—	—
d. Other	—	0.0%	—	—	—

14. Following is the Company's potential exposure for futures contracts as of:

	Dec. 31, 2008		Mar. 31, 2008	June 30, 2008	Sept. 30, 2008
a. Hedging	$ —	0.0%	$ —	$ —	$ —
b. Income generation	—	0.0%	—	—	—
c. Replications	—	0.0%	—	—	—
d. Other	—	0.0%	—	—	—

HEALTHMARKETS INSURANCE COMPANY

INVESTMENT RISKS INTERROGATORIES (continued)

December 31, 2008

15. The 10 largest investments included in the Write-ins for Invested Assets category included on the Summary Investment Schedule at December 31, 2008 are:

a.	Not Applicable	$	%
b.			%
c.			%
d.			%
e.			%
f.			%
g.			%
h.			%
i.			%
j.			%

See accompanying note.
See accompanying independent auditors' report.

HEALTHMARKETS INSURANCE COMPANY

SUMMARY INVESTMENT SCHEDULE

December 31, 2008

Investment Categories	Gross Investment Holdings* Amount	Gross Investment Holdings* Percentage of Gross Investment Holdings	Admitted Assets as Reported in the Annual Statement Amount	Admitted Assets as Reported in the Annual Statement Percentage of Admitted Invested Assets
Bonds:				
US Treasury securities	$ 6,637,998	73.9%	$ 6,637,998	73.9%
US government agency and corporate obligations (excluding mortgage-backed securities):				
Issued by US government agencies	—	0.0%	—	0.0%
Issued by US government-sponsored agencies	—	0.0%	—	0.0%
Foreign government (including Canada, excluding mortgage-backed securities)	—	0.0%	—	0.0%
Securities issued by states, territories, and possessions and their political subdivisions in the U.S.:				
State, territory and possessions – general obligations	—	0.0%	—	0.0%
Political subdivisions of states, territories and possessions – general obligations	—	0.0%	—	0.0%
Revenue and assessment obligations	—	0.0%	—	0.0%
Industrial development and similar obligations	—	0.0%	—	0.0%
Mortgage-backed securities (includes residential and commercial MBS):				
Pass-through securities:				
Guaranteed by GNMA	—	0.0%	—	0.0%
Issued by FNMA and FHLMC	—	0.0%	—	0.0%
Privately issued	—	0.0%	—	0.0%
CMOs and REMICs:				
Issued by FNMA and FHLMC	—	0.0%	—	0.0%
Privately issued and collateralized by MBS issued or guaranteed by GNMA, FMNA, or FHLMC	—	0.0%	—	0.0%
All other privately issued	—	0.0%	—	0.0%
Other debt and other fixed income securities (excluding short term):				
Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	—	0.0%	—	0.0%
Unaffiliated foreign securities	—	0.0%	—	0.0%
Affiliated securities	—	0.0%	—	0.0%

HEALTHMARKETS INSURANCE COMPANY

SUMMARY INVESTMENT SCHEDULE (continued)

December 31, 2008

Investment Categories	Gross Investment Holdings*		Admitted Assets as Reported in the Annual Statement	
	Amount	Percentage of Gross Investment Holdings	Amount	Percentage of Admitted Invested Assets
Equity interests:				
Investments in mutual funds	—	0.0%	—	0.0%
Preferred stocks:				
Affiliated	—	0.0%	—	0.0%
Unaffiliated	—	0.0%	—	0.0%
Publicly traded equity securities (excluding preferred stocks):				
Affiliated	—	0.0%	—	0.0%
Unaffiliated	—	0.0%	—	0.0%
Other equity securities:				
Affiliated	—	0.0%	—	0.0%
Unaffiliated	—	0.0%	—	0.0%
Other equity interests including tangible personal property under lease:				
Affiliated	—	0.0%	—	0.0%
Unaffiliated	—	0.0%	—	0.0%
Mortgage loans:				
Construction and land development	—	0.0%	—	0.0%
Agricultural	—	0.0%	—	0.0%
Single family residential properties	—	0.0%	—	0.0%
Multifamily residential properties	—	0.0%	—	0.0%
Commercial loans	—	0.0%	—	0.0%
Real estate investments:				
Property occupied by company	—	0.0%	—	0.0%
Property held for production of income	—	0.0%	—	0.0%
Property held for sale	—	0.0%	—	0.0%
Collateral loans	—	0.0%	—	0.0%
Policy loans	—	0.0%	—	0.0%
Receivables for securities	—	0.0%	—	0.0%
Cash and short-term investments	2,339,876	26.1%	2,339,876	26.1%
Write-ins for invested assets	—	0.0%	—	0.0%
Total invested assets	$ 8,977,874	100.0%	$ 8,977,874	100.0%

*Gross investment holdings as valued in compliance with *NAIC Accounting Practices and Procedures Manual.*

See accompanying note.
See accompanying independent auditors' report.

HEALTHMARKETS INSURANCE COMPANY

NOTE TO SUPPLEMENTAL SCHEDULE OF SELECTED STATUTORY-BASIS FINANCIAL DATA

DECEMBER 31, 2008

Note-Basis of Presentation

The accompanying schedules and interrogatories present selected statutory-basis financial data as of December 31, 2008 and for the year then ended for purposes of complying with paragraph 9 of the Annual Audited Financial Reports in the Annual Audited Report section of the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and agrees to or is included in the amounts reported in the Company's 2008 Statutory Annual Statement as filed with the Oklahoma Insurance Department.